

R O U G H D R A F T .

March 14, 1912.

My dear Senator:

By special direction of the President, I ask the privilege of most earnestly requesting your personal and very serious consideration of the urgent desirability of early ratification by the Government of the United States of the Convention with Nicaragua now awaiting the advice and consent of the Senate. In the well considered opinion of the President and of the Department of State, such action is urgently desirable in the discharge of a duty of helpfulness to Nicaragua; as a practical and immediate measure of peace; in pursuance of sound diplomatic and strategical American policy in the zone of the Caribbean; and in evident furtherance of the legitimate commercial interests of this country and of the welfare of American citizens in Central America.

Only

Only yesterday the Minister of Nicaragua at Washington communicated to the Department of State a telegram from President Diaz reading in translation, "Tell me when our treaty will be voted on". This is but one of many such inquiries during the many months that Nicaragua's hopes of a new era of peace and prosperity, instead of ^{fate} devastation and bloodshed, have hung upon the ~~vote~~ of the Convention in question. As further illustrating the anxiety with which the action of the United States is awaited at Managua, the President authorizes me to set forth here a message which the Secretary of State telegraphed from San Salvador on March 11th, after his personal visit to Nicaragua, in order to bring home to the President and to the Department how utterly the people of Nicaragua are dependent upon the desired action. The telegram is as follows:

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"The Government and people of Nicaragua are anxiously and prayerfully hoping for prompt action by our Senate upon the Nicaraguan Treaty. It is not subject to some of the objections that have been made to the Honduran Treaty and can be dealt with upon its own merits. When it is reported that favorable action has been or is about to be taken, the people become encouraged, rates of exchange become more normal, and business improves. Reports to the contrary produce despondency and affect business adversely.

"The Nicaraguan people are earnestly endeavoring to reconstruct their Government after a bloody revolution which overthrew the Zelaya régime, the base tyranny and cruelty of which our people do not realize. They have done for themselves what we were compelled to do for Cuba and, if favorable action be taken by our Senate, we can do for them as much as we did for Cuba without the expenditure of blood or treasure. But one request has been made of me while in Nicaragua, and it has come from all classes, 'Help us to maintain peace'. They believe that a revival of business will produce contentment and stability. To illustrate their willingness and ability to help themselves, they point to the fact that within eleven months after the revolution they were exporting products planted by their women while their men were carrying on the revolution against the old order.

"The treaty has received the approval of the Nicaraguan Congress. Objections to it come only from a small minority here and in the United States, who are interested in the old order of things under which the population had been rapidly decreasing and the people and country exploited by monopolies and ruinous concessions. These the Government, through the aid of its keen and high-minded American experts, who are aiding its reconstruction, is now successfully engaged in trimming down to equitable proportions. The earnestness of the appeals to our Government for the modicum of helpfulness which the treaty affords, is almost pathetic.

"My reception by the President, all branches of the Government, and by the people of Nicaragua, was most cordial; no unpleasant incident occurred. All rumors to the contrary are false. A few anarchists and Zelayistas in Nicaragua are, of course, willing to talk long and fiercely if they can get into print and find a few of their number who are willing to publish their utterances, even though they do great injustice to the Government and the great majority of the people."

In explanation of the Secretary's reference

to the aid now being rendered to the Government of Nicaragua by American experts, I beg leave to call your attention to the following facts.

Nicaragua being in urgent need of funds,

Messrs. Brown Brothers and Messrs. J. and W. Seligman and Company, reputable American bankers, have advanced, under what is known as a Treasury Bills Agreement, and which was drawn up with the assistance of Mr. Ernest H. Wands, financial adviser of Nicaragua, a temporary loan of \$1,500,000. This temporary loan is for the express purpose of reforming the currency, placing it on a stable and economic basis, fixing the rate of exchange, which now fluctuates in a manner disastrous to business confidence, and establishing a national bank. To this end the well-known currency

experts,

experts, Mr. Charles A. Conant and Mr. Francis C. Harrison have for the last three months been making a careful study of the fiscal conditions in Nicaragua. The national bank has already been chartered in the State of Connecticut, and will be put into active operation so soon as a scientific plan for the complete reform of the currency has been evolved and approved. Nicaragua has already installed as Collector of Customs, Colonel Clifford D. Ham, formerly Surveyor of the Port of Manila, who is being assisted by two or three Americans as deputy collectors in different ports. For the reorganization of the system of excise taxation the Government of Nicaragua has engaged the services of Mr. Edwin A. Thayer, recently at Porto Rico, as Excise Adviser.

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Under the Mixed Claims Commission Decree a Claims Commission has been established to pass upon the status and validity of concessions granted under previous administrations and to examine and pass upon revolutionary claims, over 4000 of which have already been laid before the Commission. On this Commission are two Americans, Judge Otto Schoenrich, who was selected by the United States, and Mr. Arthur R. Thompson, who was appointed by Nicaragua upon the recommendation of the Secretary of State.

In addition to these Americans, who are well-known and who were carefully selected, the Government of Nicaragua has engaged for the reorganization of the police, Mr. Guy Scull, who was highly recommended for this service.

The foregoing

The foregoing is a brief survey of what Nicaragua is endeavoring to do in the way of reconstruction and reorganization with the aid of American experts whose services have been sought by that country. It would seem reasonable to assume that within a few months the efforts of such experts as these will go far to place Nicaragua upon a stable economic and financial basis.

Unless favorable action be taken by the Senate upon the loan convention in the near future, it is difficult to foretell the consequences of the ensuing discouragement, and it is only too probable that the whole plan for the regeneration of Nicaragua will be indefinitely postponed, and that even the temporary benefits now being enjoyed by that republic and the good work already done will be permanently lost. This is true because of the shocking and deplorable

economic

economic conditions now prevailing in that country and the immediate need of effective financial support. That support failing, as it must do unless the convention becomes effective, it will be necessary for the Nicaraguan Government to revert to the Zelaya system of forced loans and wasteful concessions, in order to continue to defray the expenses of the administration. Furthermore, the present Government, which has solicited the good offices of the United States to the end of securing this loan, will be greatly weakened by any failure on our part to meet it half way. A weakened government invites revolution.

Aside from the sad spectacle of a people with aspirations and a richly endowed country sinking back into the mire of waste, revolution and bloodshed, the experience

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of years has shown that the United States cannot view with indifference such conditions in a part of the world where every factor works constantly to increase our interests and our responsibilities. And the present seems a rare opportunity to forestall, by the offer of a little help, the likelihood of far heavier and more troublesome obligations when future chaotic conditions shall involve Nicaragua in domestic misery and the pressure of foreign debts.

In summing up I would venture to remind you that the loan contracts with Messrs. Brown Brothers and Messrs. J. and W. Seligman and Company for a \$15,000,000 loan under the convention, were approved by the Nicaraguan Assembly on October 9, 1911, by a vote of twenty-six

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to six, and that public opinion in Nicaragua has been consistent in firmly upholding the action of the Assembly in approving those contracts.

If further safeguard were wanted, the fact should be recalled that the Convention is quite independent of any loan contract; that it involves the United States still less than did the Santo Domingo arrangement, which has proved so beneficial to Santo Domingo, to the cause of peace, and to American commerce; and that, if this Convention be ratified and proclaimed, it remains merely potential unless and until all bankers' contracts seeking that measure of protection which it affords have been finally approved by the Government of the United States as just and equitable and probably the best that

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can be made under all the circumstances.

It is sincerely hoped that the Convention in question may, at an early date, have the advantage of your earnest and impartial consideration.

I am, my dear Senator,

Very sincerely yours,

Acting Secretary of State

